

INSTRUCTIONS FOR 2005 CONSTRUCTION-WORK-IN-PROGRESS (CWIP)

PURPOSE: To record the value of all statewide construction-work-in-progress (CWIP) for the purpose of reporting CWIP in the State's financial statements.

DEFINITION: Labor, material, equipment, and overhead costs of a construction project are temporarily capitalized in the account "Construction-Work-In-Progress. As construction progresses, the cumulative expenditures of all vendors involved in the project are capitalized as CWIP. When the project is completed, costs in this account are transferred and allocated to one or more of the other major asset classes (buildings, betterments to buildings or land improvements) in the State's Fixed Asset Sub-system. A project is considered complete when a certificate of occupancy has been issued or it is ready for its intended use.

SOURCE: The State of Delaware Fixed Asset Accounting Policy Manual provides guidelines for the recording of fixed assets. You may access the manual on-line by going to: <http://intranet.state.de.us/account/>

GENERAL

INSTRUCTIONS: **All agencies and school districts are required to complete form H-3A.** If the form does not apply to your agency, complete the header and check the N/A box.

CWIP is not captured in the Fixed Asset Subsystem and must be reported to the Division of Accounting by using the on-line GMEN system.

As a construction project progresses, the cumulative expenditures of all vendors involved in the project are capitalized in CWIP. When the project is considered completed, the total costs for the project are deleted from CWIP and are immediately added to the Fixed Asset Sub-System as a new fixed asset in one or more of the other major asset classes. A project is considered complete when a certificate of occupancy has been issued **or** it is ready for its intended purpose. Do not estimate a % of completion. All unpaid bills relating to the project or retainage fees paid after the asset has been transferred from CWIP to one of the asset classes should be added to the fixed asset as a betterment to the original fixed asset.

It is very important that assets deleted from CWIP (completed projects) are added to the Fixed Asset Sub-system within the same fiscal year. Please contact Walter Konek 744-1040 or Becki Surguy 744-1050 for assistance.

Assets qualifying as CWIP for financial reporting purposes must meet the following criteria:

- ◆ The asset must satisfy the established criteria of a capitalized asset.
- ◆ Estimated total project cost at completion must be \$100,000 or greater.

Please refer to the State's Fixed Asset Policy Manual for expanded definitions and examples.

During the FY 2004 financial audit, auditors noted the following errors in the reporting of CWIP which resulted in major adjustments:

- ◆ Encumbrances were included in CWIP.
- ◆ Completed projects were not being moved out of CWIP and into the Fixed Asset system in a timely manner. Completed project must be entered into the Fixed Asset system during the same fiscal year as completion.
- ◆ Numbers reported for CWIP did not agree with DFMS reports. Items not part of buildings/renovations or land improvements such as furniture or equipment should not be included in the CWIP.
- ◆ All additions to CWIP must be reported on form H3A even if the project was completed during the fiscal year.
- ◆ Agencies included land in CWIP. Land should be recorded immediately when purchased.
- ◆ CWIP paid with federal funds should be included when invoices are paid, not held until reimbursement has been received.

INSTRUCTIONS FOR FORM H-3A:

Complete the header.

- Col. 1) ***GAAP Fund*** - Enter the GAAP Fund number used during the payment process.
- Col. 2) ***Value of CWIP as of 6/30/04*** - The 6/30/04 total accumulated costs of CWIP are carried forward from the previous year's GAAP package on GMEN. The FY2004 GMEN was revised for all adjustments made during the audit process. Please scan GMEN for FY04 to review your ending 6/30/04 balances. The ending balances cannot be changed. If you have corrections for the beginning balances, they should be made in the adjustments column (col. 3). Documentation must be maintained for all adjustments.
- Col. 3) ***Adjustment to Beginning Value 6/30/04*** - Enter the amount of costs that are needed to correct the beginning balance in col. 2. To indicate a decrease in the beginning balance, enclose the amount in brackets (). **An entry in this column requires an explanation in the comments section of the form.**
- Col. 4) ***Additions to CWIP from 7/1/04 through 3/31/05*** - Enter the total costs for CWIP that were paid July 1, 2004 – March 31, 2005. Do not include funds that have been encumbered and not yet expended.
- Col. 5) ***Projects Completed from 7/1/04 through 3/31/05 (Deletions)*** – This column represents projects that are considered substantially completed and ready for it's intended purpose as of March 31 and therefore should be deleted from CWIP. Enter this number as a negative using brackets (). Please note that this number will be entered as a positive number on the GMEN system.
- Col. 6) ***Value of All CWIP as of 3/31/05*** –For each GAAP fund, add col. 2 plus or minus col. 3 plus Col. 4 minus Col. 5. Record this total in Col. 6.

RETAIN ALL SUPPORTING DOCUMENTATION WITH THIS FORM FOR AUDIT IN MAY 2005.

School Districts with CWIP will be required to submit a copy of the Board minutes showing the status of their construction project(s) through March 2005. Send the minutes to the Division of Accounting to the attention of Walter Konek. (FAX 302-744-1045)